




MEMORANDUM

TO: Mayor and Council Members

FROM: Rudy Garza, Assistant City Manager 

DATE: May 21, 2010

SUBJECT: Water Treatment Plant 4 (WTP4) Contract Overview

On August 6, 2009, Council approved the initial contract with MWH, Construction Manager-at-Risk (CM@R) for WTP4. Under this contract, Council authorized pre-construction phase services, which includes several services that are related to project initialization, design review and value engineering. The pre-construction phase work has commenced and is anticipated to continue through fall 2010.

There is an item on the May 27th Council Agenda, to consider and approve the first group of work packages associated with WTP4, referred to as a Guaranteed Maximum Price (GMP) proposal. Under the CM@R approach, each phase of work is developed and presented to the City by the CM@R as a GMP proposal. The GMP proposal, once negotiated and acceptable to the City, is handled as an amendment to the initial contract. All GMP proposals associated with WTP4 will be brought to the Water & Wastewater Commission and then to City Council for consideration.

As part of the GMP development process, the CM@R creates various work packages, which may be included within a single GMP proposal. Each work package goes through the CM@R's procurement process that is reviewed by and coordinated with City staff from Small & Minority Business Resources (SMBR), Contract & Land Management (CLMD), Public Works (PW), and the Austin Water Utility (AWU). The process also includes: outreach efforts to local businesses and MBE/WBE firms, development of specific trade summaries for each individual work package, and the establishment of MBE/WBE goals based upon the trade summaries developed. The CM@R has incorporated the MBE/WBE program requirements, including the requirement of contractors to meet the MBE/WBE goals established by the City or to conduct Good Faith Efforts to meet the goals. Furthermore, the CM@R has the ability to negotiate with its contractors to determine if MBE/WBE subcontracting opportunities are indeed being incorporated by a respondent and if additional opportunities may exist.

The GMP proposal on the May 27th Council Agenda, referred to as GMP 3A, is a procurement of specialized equipment for WTP4. The equipment is being purchased by the CM@R early in the process to obtain efficiencies in pricing and ensure availability of equipment for the project. The equipment packages in GMP 3A do not include any additional scopes of work associated with installation of equipment; the packages are

solely the purchase of equipment from suppliers. Therefore, no MBE/WBE subcontracting opportunities were identified and no goals were established by SMBR.

In contrast, the subsequent GMP proposals that will be brought to Council for consideration will include MBE/WBE goals and participation for each work package that is included in the GMP proposal. The goals and participation will be summarized within each Request for Council Authorization. The next GMP proposal, specifically GMP 3B, includes work packages for Upflow Clarifiers, Clearwells, Site Excavation and Miscellaneous Site Improvements that are associated with the water treatment plant facility. The goals for the three work packages are 10.43% MBE and 2.7% WBE; 10.76% MBE and 2.55% WBE; and 9.98% MBE and 2.03% WBE respectively. Staff currently plans to bring this item forward on the June 10th Council Agenda.

There are six additional GMP proposals that are anticipated to be brought forward to the Water & Wastewater Commission and Council over the next several months for the WTP4 project. At this time, MBE/WBE goals and subcontractor participation information is not available for these future proposals; however, goals will be established through the GMP development process.

With each GMP proposal will be the General Conditions that the CM@R has associated with the work to be performed in managing and overseeing the construction of the WTP4 project. In effect, the CM@R is the “prime contractor” for the WTP4 project. The cost for the General Conditions is a set amount that was proposed by the CM@R as part of their initial proposal to the City, but the actual payment of the General Conditions to the CM@R will be connected with each GMP proposal.

It should be noted that MBE/WBE goals and subcontractor participation have been established for the Pre-Construction phase services and the General Conditions. Since the CM@R proposed its team for Pre-Construction and General Conditions work collectively, one set of MBE/WBE goals were established for all of the associated scopes of work. The CM@R solicitation was issued with 4.95% MBE and 2.59% WBE goals. MWH submitted a compliance plan that exceeded those goals with 21.39% MBE and 5.17% WBE. Actual participation to date is 3.81% MBE and 0.73% WBE. Each GMP proposal will include an update on the MBE/WBE participation for the Pre-Construction phase services, as well as a separate breakdown for the General Conditions participation.

SMBR in collaboration with AWU, CLMD, and PW will closely monitor the MBE/WBE compliance efforts of the CM@R. Monitoring activities will cover the CM@Risk outreach to the local and MBE/WBE contracting community, MBE/WBE procurement processes utilized by the CM@R, and MBE/WBE subcontractor participation throughout the duration of the WTP4 project.

Should you have any questions or comments, please do not hesitate to contact me.

cc: Marc A. Ott, City Manager
Howard Lazarus, Acting Assistant City Manager
Greg Meszaros, Director, Austin Water Utility
Mike Trimble, Director, Contract and Land Management
Veronica Lara, Director, Small and Minority Business Resources